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SUBJECT: ANADARKO PETROLEUM FINDS GAS IN NORTHERN MOZAMBIQUE

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¶1. (SBU) SUMMARY: In its first deepwater exploration well, one of eight wells planned in northern Mozambique's Rovuma Basin, U.S. independent oil and gas exploration and production company Anadarko Petroleum Corporation has struck a sizable natural gas deposit. The first deepwater exploration well found 480 net feet of pay of natural gas at 14,000 feet, with a gross column of more than 1,200 feet. Anadarko will continue analysis to determine if the find is commercially viable, while exploration will continue for petroleum. Anadarko's country director is optimistic about encountering even greater quantities of natural gas and hopefully oil given the geological similarities between the Rovuma Basin and the Niger Delta, as well as the Gulf of Mexico. However, exploration thus far on the East Coast of Africa has yet to result in petroleum finds. The Rovuma Basin find validates the Government of Mozambique's (GRM) natural resource development plan for the North and will increase interest from other companies, according to Minister of Natural Resources, Esperanca Bias. Anadarko's announcement is another reminder that natural resource revenues may soon outpace donor assistance and the importance of accelerating the Government of Mozambique's (GRM's) movement towards compliance with the Extractive Industry Transparency Initiative (EITI). END SUMMARY

¶2. (SBU) Anadarko is drilling two on-shore and six off-shore exploration wells in the Rovuma Basin along the border with Tanzania. The first deepwater exploration well found 480 net feet of pay of natural gas at 14,000 feet. This find has a gross column of more than 1,200 feet which is a strong indicator of the potential of the Rovuma Basin to produce natural gas. More analysis at their headquarters in Houston is required before a determination of the find's commercial viability is established.

¶3. (SBU) John Peffer, managing director of Anadarko Petroleum in Mozambique, told Econoff on February 19 that the Niger Delta and the Gulf of Mexico have similar geologic features to the Rovuma Basin. In both of those there is natural gas and petroleum. Natural gas is known to exist in East Africa, but Peffer said no one has yet struck oil. He believes strongly that, "plenty more gas is out there." He also remains optimistic that oil will be found at one of the remaining five deepwater drill sites. Peffer noted the deepwater area they are drilling in now is totally unexplored.

¶4. (SBU) Minister of Mineral Resources, Esperanca Bias, is even more pleased than Anadarko because commercially viable natural gas production requires more extensive infrastructure investment than oil, and will contribute greater to the development of northern Mozambique. Peffer says the natural gas find validates the GRM's development plans for the Rovuma Basin. Increased interest from international exploration companies is expected, which may lead to higher concession prices in future rounds of bidding.

15. (SBU) COMMENT: While Anadarko remains upbeat about their initial finding of large quantities of natural gas in their first exploratory well, the company is more interested in petroleum. Energy experts estimate that with Mozambique's already significant coal and natural gas resources, and the possibility of petroleum, that by 2014 all foreign assistance will be outpaced by natural resource revenues. In a country where corruption is described as "rampant" by Transparency International, Post will continue to push for Mozambique to take concrete steps to join the Extractive Industries Transparency Initiative (EITI), as the window for donor leverage on the Government of Mozambique (GRM) could be narrowing. END COMMENT
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